

FISCAL NOTE

Bill #: SB0382 **Title:** Portability in teacher employment

Primary Sponsor: Butcher, E **Status:** As Introduced

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary

	<u>FY 2004 Difference</u>	<u>FY 2005 Difference</u>
Expenditures:		
General Fund	Unknown	Unknown
Net Impact on General Fund Balance:	Unknown	Unknown

- | | |
|--|---|
| <input checked="" type="checkbox"/> Significant Local Gov. Impact
<input type="checkbox"/> Included in the Executive Budget
<input type="checkbox"/> Dedicated Revenue Form Attached | <input checked="" type="checkbox"/> Technical Concerns
<input checked="" type="checkbox"/> Significant Long-Term Impacts
<input checked="" type="checkbox"/> Needs to be included in HB 2 |
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Fiscal Analysis

ASSUMPTIONS:

1. The Office of Public Instruction (OPI) does not currently collect teacher salary data. For the purposes of this fiscal note, there is no source of data for base salaries and salary costs associated with steps and lanes.
2. OPI would need to collect from county superintendents: a) base salary information in June; and b) the costs associated with base salaries and with steps and lanes in August for each school year.
3. SB 382 requires a school district to pay a minimum base salary, which may not be more than 10% below the statewide base salary average.
4. SB 382 requires OPI to provide a block grant to school districts to cover the steps and lanes portion of teachers' and specialists' salaries that are paid from the district general fund budget. Based on a small sample of school districts the cost of steps and lanes would require approximately 50% of the current direct state aid distribution to be granted as block grants.
5. Under current law, direct state aid will be \$319.26 million in FY 2004 and \$314.01 million in FY 2005. Special education payments will be \$34.913 million in FY 2004 and FY 2005. Guaranteed tax base (GTB) aid to schools will be \$97.683 million in FY 2004 and \$94.416 million in FY 2005.
6. The amount of reduction in direct state aid payments, which will be granted as block grants, will be treated by the funding formula as non-levy revenue. To the extent that districts anticipate these payments, they will reduce the GTB aid paid to the districts from the state. If the districts accurately anticipate these revenues it will decrease the state's obligation in the GTB area by \$74.73 million in FY 2004 and \$72.04 million in FY 2005.

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(continued)

7. SB 382 requires that the direct state aid payment to schools be reduced by the amount of the block grant for steps and lanes. In FY 2004, direct state aid (DSA) will be reduced to \$159.63 million. In FY 2005, direct state aid will be reduced to \$157.00 million.
8. When a district levies more in taxes in the GTB area of the BASE budget than is needed to fund the budget, it has been the practice of OPI to require the district to amend its budget and lower the number of BASE budget mills to the appropriate level. OPI then pays GTB on the amended number of BASE budget mills. For districts whose block grant and pro-rated DSA payment exceeded the full DSA payment, the district would need to revise its budget and GTB would need to be adjusted.
9. The current GTB area of 35.3% of entitlements, plus the prorated DSA will not be sufficient to fill the statutorily required minimum budget. It is unknown how the gap (\$159.63 million in FY 2004 and \$157.00 million in FY 2005) will be filled. Either the districts will increase the GTB area of the budget and fill the remaining area with a combination of state general fund and local tax levies or districts will be required to fill the gap solely with local mills.
10. Without having further direction, it is impossible to determine the impact on state expenditures and local taxes.

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

1. SB 382 may force districts to under fund their BASE budgets by prorating the direct state aid using the direct state aid payment. Districts may miscalculate the amount of GTB for which they are eligible because the actual state block grant will be more or less than the anticipated level of funding.
2. It is unknown what will happen to local revenues and expenditures. See assumptions 9 and 10.
3. Districts will not be notified of their block grant amounts until September 1 of the school year, which is after their budgets are adopted. The districts will anticipate the amount of the block grants in the GTB area of its budget in August. The block grant may be more or less than the district anticipated in its budget. Therefore, the district will either levy too much or too little to fund its GTB area of the budget.

LONG-RANGE IMPACTS:

SB 382 in its current form may threaten the constitutional requirement to provide equal educational opportunity.

TECHNICAL NOTES:

1. SB 382 conflicts with existing statute that requires a district to adopt a balanced budget.
2. It may not be possible for county superintendents to meet requirements to report the cost of base salaries and steps and lanes for all school districts in a county by August 1. Many school districts are still signing contracts in August.
3. Districts that are adopting only the BASE budget level may be placed in a position of not being able to fund the BASE budget. This situation would violate our principles of equalization.
4. All districts will be short in the DSA area by approximately 50% in FY 2004 and FY 2005. There is no provision in law for a district to make up the shortfall in DSA.